Variable life insurance is a kind of insurance where the death benefits and cash values depend on the investment performance of one or more separate accounts, which may be invested in mutual funds or other investments.

Finding a Good Life Insurance Value

After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider:

- ◊ Do premiums or benefits vary from year to year?
- ◊ How much do the benefits build up in the policy?
- ◊ What part of the premiums or benefits is not guaranteed?
- ◊ What is the effect of interest on money paid and received at different times on the policy?

Once you have decided which type of policy to buy, you can use a cost comparison index, available from life insurance agents and companies, to help you compare similar policies.

MISSISSIPPI
INSURANCE
DEPARTMENT

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Life Insurance Shopper's Guide

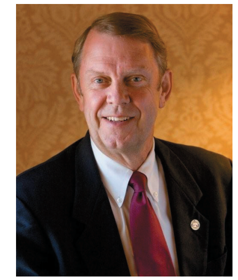
MISSISSIPPI INSURANCE DEPARTMENT

Mike Chaney

Insurance Commissioner
State Fire Marshal

Revised July 2008

Buying Life Insurance



Mike Chaney

When you buy life insurance, you want coverage that fits your needs. First, decide how much you need – and for how long – and what you can afford to pay. Keep in mind the major reason that you buy life insurance is to cover the financial effects of unexpected or untimely death. Life insurance can also be one of the many ways you plan for the future. Next, learn what kinds of policies will meet your needs and pick the one that best suits you. Then, choose the combination of policy premium and benefits that emphasizes protection in case of early death, or benefits in case of long life, or a combination of both.

It makes good sense to ask a life insurance agent or company to help you. An agent can help you review your insurance needs and give you information about the available policies. If one kind of policy does not seem to fit your needs, ask about others.

This guide provides only basic information. You can get more facts from a life insurance agent or company, the Internet, or from your public library.

Important Things to Consider

- ◊ Review your own insurance needs and circumstances. Choose the kind of policy that has benefits that most closely fit your needs. Ask an agent or company to help you.
- ◊ Be sure that you can handle premium payments. Can you afford the initial premium? If the premium increases later and you still need insurance, can you still afford it?
- ◊ Don't sign an insurance application until you review it carefully to be sure all of the answers are complete and accurate.
- ◊ Don't buy life insurance unless you intend to stick with your plan. It may be very costly if you quit during the early years of the policy.
- ◊ Don't drop one policy and buy another without a thorough study of the new policy and the one you have now. Replacing your insurance may be costly.
- ◊ Read your policy carefully. Ask your agent or company about anything that is not clear to you.
- ◊ Review your life insurance program with your agent or company every few years to keep up with changes in your income and your needs.

What About Your Existing Policy?

If you are thinking about dropping a life insurance policy, here are some things you should consider:

- ◊ If you decide to replace your policy, don't cancel your old policy until you have received the new one. You then have a minimum period to review your new policy and decide if it is what you wanted.
- ◊ It may be costly to replace a policy. Much of what you paid in the early years of the policy you have now, paid for the company's cost of selling and issuing the policy. You may pay this type of cost again if you buy a new policy.
- ◊ Ask your tax advisor if dropping your policy could affect your income taxes.

- If you are older or your health has changed, premiums for the new policy will often be higher. You will not be able to buy a new policy if you are not insurable.
- You may have valuable rights and benefits in the policy you now have that are not in the new one.
- If the policy you have now no longer meets your needs, you may not have to replace it. You might be able to change your policy or add to it to get the coverage or benefits you now want.
- A new policy contains a two-year contestability clause, which means that the insurance company can refuse a death claim if it is a result of suicide or if there is material misrepresentation on the application.

In all cases, if you are thinking of buying a new policy, check with the agent or company that issued you the one you have now. When you bought your old policy, you may have seen an illustration of the benefits of your policy. Before replacing your policy, ask your agent or company for an updated illustration. Check to see how the policy has performed and what you might expect in the future, based on the amounts the company is paying now.

Need help?
Contact MID at
800 562 2957

How Much Do You Need?

Here are some questions to ask yourself:

- How much of the family income do I provide? If I were to die early, how would my survivors, especially my children, get by? Does anyone else depend on me financially?
- Do I have children for whom I'd like to set aside money to finish their education in the event of my death?
- How will my family pay final expenses and debts after my death?
- Do I have family members or organizations to whom I would like to leave money?
- Will there be estate taxes to pay after my death?
- How will inflation affect future needs?

As you figure out what you must have to meet these needs, count on the life insurance you have now, including any group insurance where you work or veteran's insurance. Don't forget Social Security and pension plan survivor's benefis. Add other assets you have: savings, investments, real estate, and personal property. Which assets would your family sell or cash in to pay expenses after your death?

Life Insurance Illustrations

You may be thinking of buy a policy where cash values, death benefits, dividends or premiums may be based on events or situations the company does not guarantee (such as interest rates). If so, you may get an illustration from the agent or company that helps explain how the policy works.

The illustration will show how the benefits that are not guaranteed will change as interest rates and other factors change. The illustration will show you what the company guarantees. It will also show you what could happen in the future.

Remember that nobody knows what will happen in the future. You should be ready to adjust your financial plans if the cash value doesn't increase as quickly as shown in the illustration. You will be asked to sign a statement that says you understand that some of the numbers in the illustration are not guaranteed.

What is the Right Kind of Insurance?

All policies are not the same. Some give coverage for your lifetime and others cover you for a specific number of years. Some build up cash values and others do not. Some policies may offer other benefits while you are still living. Your choice should be based on your needs and what you can afford.

There are two basic types of life insurance: term insurance and cash value insurance. Term insurance generally has lower premiums in the early years, but does not build up cash values that you can use in the future. You may combine cash value insurance with term insurance for the period of your greatest need for life insurance to replace income.

Term insurance covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value. You can renew most term insurance policies for one or more terms even if your health has changed. Each time you renew the policy for a new term, premiums will be higher. Ask what the premiums will be if you continue to renew the policy. Also ask if you will lose the right to renew the policy at some age. For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period at the same price each year. At the end of that time you may need to pass a physical examination to continue coverage, and premiums may increase.

Cash value life insurance is a type of insurance where the premiums charged are higher at the beginning than they would be for the same amount of term insurance. The part of the premium that is not used for the cost of insurance is invested by the company and builds up a cash value that may be used in a variety of ways.

Whole life insurance covers you for as long as you live if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first take out the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. But they may be smaller than the premiums you would eventually pay if you were to keep renewing a term policy until your later years.

Universal life insurance is a kind of flexible policy that lets you vary your premium payments. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. The premiums you pay (less expense charges) go into a policy account that earns interest. Charges are deducted from the account.

(Continued on page 1)